

TOWNSHIP OF HILLSDALE
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HILLSDALE TOWNSHIP	County HILLSDALE
Audit Date 3-31-04	Opinion Date 9-29-04	Date Accountant Report Submitted to State: 10-18-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Bailey Hodshine + Company, PC			
Street Address 419 E Chicago St Po Box 215	City Jonesville	State MI	ZIP 49250
Accountant Signature Gregory A. Bailey		Date 10-18-04	

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Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYCPA@QCNET.NET

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Hillsdale
Hillsdale, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hillsdale as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund balances at April 1, 2003. We are, therefore, unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2003, fund balances, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hillsdale, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Hillsdale. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire & Company, P.C.
September 29, 2004
Jonesville, Michigan

TOWNSHIP OF HILLSDALE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	Governmental <u>Fund Types</u> General <u>Fund</u>	<u>Fiduciary Fund Types</u> Cemetery Perpetual Care Fund	Current Tax Collection <u>Fund</u>	Account Group General Fixed <u>Assets</u>	Totals (Memorandum Only)
ASSETS					
Cash and Investments	\$ 493,206	\$ 3,171	\$ 4,408	\$ 0	\$ 500,785
Due From Other Funds	6,454	0	0	0	6,454
Accounts Receivable	0	0	4,044	0	4,044
Land and Buildings	0	0	0	210,455	210,455
Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,564</u>	<u>29,564</u>
Total Assets	<u>\$ 499,660</u>	<u>\$ 3,171</u>	<u>\$ 8,452</u>	<u>\$ 240,019</u>	<u>\$ 751,302</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Payroll Taxes Withheld	\$ 601	\$ 0	\$ 0	\$ 0	\$ 601
Due to Other Funds	0	0	6,454	0	6,454
Due to Other Govts	<u>0</u>	<u>0</u>	<u>1,998</u>	<u>0</u>	<u>1,998</u>
Total Liabilities	<u>\$ 601</u>	<u>\$ 0</u>	<u>\$ 8,452</u>	<u>\$ 0</u>	<u>\$ 9,053</u>
FUND EQUITY					
Investment in General Fixed Assets	\$ 0	\$ 0	\$ 0	\$ 240,019	\$ 240,019
Fund Balance Unreserved Undesignated	<u>499,059</u>	<u>3,171</u>	<u>0</u>	<u>0</u>	<u>502,230</u>
Total Fund Equity	<u>\$ 499,059</u>	<u>\$ 3,171</u>	<u>\$ 0</u>	<u>\$ 240,019</u>	<u>\$ 742,249</u>
Total Liabilities and Fund Equity	<u>\$ 499,660</u>	<u>\$ 3,171</u>	<u>\$ 8,452</u>	<u>\$ 240,019</u>	<u>\$ 751,302</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF HILLSDALE
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED MARCH 31, 2004

	Governmental Fund Type <u>General</u>	Fiduciary Fund Type Expendable Trust <u>Trust</u>	Totals (Memorandum Only) <u>Only</u>
REVENUE			
Property Taxes	\$ 52,460	\$ 0	\$ 52,460
State Shared Revenue	135,820	0	135,820
Rent - Township Hall	1,650	0	1,650
Interest Income	7,911	51	7,962
Miscellaneous Revenue	<u>9,592</u>	<u>0</u>	<u>9,592</u>
Total Revenue	<u>\$ 207,433</u>	<u>\$ 51</u>	<u>\$ 207,484</u>
EXPENDITURES			
General Government	\$ 186,435	\$ 0	\$ 186,435
Public Safety	37,125	0	37,125
Public Works	106,445	0	106,445
Culture	<u>8,800</u>	<u>0</u>	<u>8,800</u>
Total Expenditures	<u>\$ 338,805</u>	<u>\$ 0</u>	<u>\$ 338,805</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$(131,372)</u>	<u>\$ 51</u>	<u>\$(131,321)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers - In	\$ 51	\$ 0	\$ 51
Operating Transfers - Out	<u>0</u>	<u>(51)</u>	<u>(51)</u>
Total Other Financing Sources (Uses)	<u>\$ 51</u>	<u>\$ (51)</u>	<u>\$ 0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$(131,321)</u>	<u>\$ 0</u>	<u>\$(131,321)</u>
FUND BALANCES - APRIL 1, 2003	<u>630,380</u>	<u>0</u>	<u>630,380</u>
FUND BALANCES - MARCH 31, 2004	<u>\$ 499,059</u>	<u>\$ 0</u>	<u>\$ 499,059</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF HILLSDALE
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Property Taxes	\$ 42,500	\$ 52,460	\$ 9,960
State Shared Revenue	119,600	135,820	16,220
Rent - Township Hall	1,000	1,650	650
Interest Income	7,100	7,911	811
Miscellaneous Revenue	<u>8,750</u>	<u>9,592</u>	<u>842</u>
Total Revenue	<u>\$ 178,950</u>	<u>\$ 207,433</u>	<u>\$ 28,483</u>
EXPENDITURES			
General Government	\$ 190,200	\$ 186,435	\$ (3,765)
Public Safety	40,000	37,125	(2,875)
Public Works	106,600	106,445	(155)
Culture	<u>9,000</u>	<u>8,800</u>	<u>(200)</u>
Total Expenditures	<u>\$ 345,800</u>	<u>\$ 338,805</u>	<u>\$ (6,995)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$(166,850)</u>	<u>\$(131,372)</u>	<u>\$ 35,478</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers - In	<u>\$ 50</u>	<u>\$ 51</u>	<u>\$ 1</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$(166,800)</u>	<u>\$(131,321)</u>	<u>\$ 35,479</u>
FUND BALANCES - APRIL 1, 2003	<u>630,380</u>	<u>630,380</u>	<u>0</u>
FUND BALANCES - MARCH 31, 2004	<u><u>\$ 463,580</u></u>	<u><u>\$ 499,059</u></u>	<u><u>\$ 35,479</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Township of Hillsdale is located in Hillsdale County, Michigan, with a population of approximately 1,965 and a 2003 total taxable valuation of approximately \$48,496,000. It is governed by a board consisting of 5 members with a supervisor as its head. As required by generally accepted accounting principles, these financial statements present all fund types and account groups that are controlled by or dependent on the Township Board of Trustees. Accordingly, this report does not include the financial statements of the Hillsdale Rural Fire Department, a non-profit corporation, which operates autonomously under a service agreement with the Township.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Township are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Group of Accounts - This account group presents fixed assets of the Township utilized in its general operations.

Total columns on the combined statements are captioned "memo only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; therefore, it is not comparable to a consolidation.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all

TOWNSHIP OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

State revenue sharing and interest are susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the Township and are recognized as revenue at that time.

Budgetary Data

The Township adopted a budget for the General Fund on the modified accrual basis. Once approved, the Township Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year-end. The amended budget is presented in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Liabilities, and Fund Equity

Cash and investments are reported at cost.

Fixed assets are accounted for at cost, or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated. The Township has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the Township government.

Revenue, Expenditures, and Expenses

Property tax revenue is normally recognized in the amount of taxes collected.

2. CASH AND INVESTMENTS

Following are the components of the Township's bank deposits at March 31, 2004:

Checking Accounts	\$ 52,878
Savings Accounts	168,153
Certificates of Deposit	<u>208,020</u>
Total	<u>\$ 429,051</u>

The carrying amount of the Township's bank deposits was \$429,051 and the bank's balance was \$435,421 at March 31, 2004. Of the total bank balance, \$365,415 was covered by federal depository insurance and \$70,006 was uninsured. The Township's investments are categorized in the following table to give an indication of the level of custodial risk assumed by the Township at year-end. The money market funds have not been categorized to give an indication of the level of custodial credit risk assumed by the Township at year-end since these investments are not

TOWNSHIP OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

2. CASH AND INVESTMENTS (continued)

evidenced by securities that exist in physical or book entry form. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank or dealer, or by its trust department or agent but not in the Township's name.

	<u>GASB Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>Amount</u>	<u>Value</u>
Money Market Funds				\$ 71,734	\$ 71,734

State statutes authorize the Township to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; (d) United States government or Federal agency obligation repurchase agreements; (e) banker's acceptance of United States banks; (f) obligations of the state of Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service; (g) mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for investment by a public corporation; (h) obligations described above if purchased through an interlocal agreement under the Urban Cooperations Act of 1967; (i) investment pools organized under the Surplus Funds Investment Pool Act, 1982; (j) investment pools organized under the Local Government Investment Pool Act, 1985. As of March 31, 2004, the Township's investments are in accordance with statutory authority.

3. PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes collected. The total levy for 2003 was .8599 mills, all allocated to General Fund. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the county treasurer for collection. The delinquent real portion of the 2002 levy was received and recorded as revenue by the Township in July, 2003. This accounting treatment has been followed on a consistent basis. The delinquent personal property taxes continue to be collectible by the Township Treasurer.

4. ACT 425 AGREEMENTS

The Township is involved with the City of Hillsdale in two land transfer agreements, under the provisions of Act 425 of 1984 (CL 124.21, etc.; MSA 5.4087 [21, etc.]). The first agreement, dated September 16, 1999, provides City services to the Premiere Theatre and adjacent areas on Carleton Road. The Township receives a share of annual property taxes equal to the current Township millage rate plus one mill (not to exceed a total of three mills),

TOWNSHIP OF HILLSDALE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

4. ACT 425 AGREEMENTS (continued)

plus 50% of any state shared revenue attributable to the area. Total revenue for the 2003-04 fiscal year was \$9,697.

The second agreement, dated November 14, 2000, provides City services to the Hillsdale County Senior Services Center and adjacent areas on West Bacon Road. The Township receives a share of annual property taxes equal to four mills, plus 50% of any state shared revenue attributable to the area. Total revenue for the 2003-04 fiscal year was \$0. (There is currently no taxable property, and no residents in the affected area.)

Reference should be made to the original agreements for further details.

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land and Buildings	\$ 112,326	\$ 31,293	\$ 0	\$ 143,619
Construction in Progress	0	66,836	0	66,836
Equipment	<u>29,564</u>	<u>0</u>	<u>0</u>	<u>29,564</u>
	<u>\$141,890</u>	<u>\$ 98,129</u>	<u>\$ 0</u>	<u>\$ 240,019</u>

6. UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfiled.

7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

8. RELATED PARTY TRANSACTIONS

During the year, the Township paid \$14,964 to Double A Landscaping for improvements to the new township cemetery. Double A Landscaping is owned by Aaron Freese, a member of the Township Board.

9. COMMITMENTS

As of March 31, 2004, the Township was nearing completion on an expansion to the Township hall. The total projected cost of the expansion is \$91,997. A total of \$66,836 had been spent as of March 31, 2004.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF HILLSDALE
STATEMENT OF GENERAL FUND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
GENERAL GOVERNMENT			
Township Board			
Salaries	\$ 2,700	\$ 2,160	\$ (540)
Payroll Taxes	2,400	2,399	(1)
Supplies	0	28	28
Legal Fees	1,800	1,447	(353)
Dues	1,100	987	(113)
Insurance and Bonds	<u>7,800</u>	<u>7,775</u>	<u>(25)</u>
Total Township Board	<u>\$ 15,800</u>	<u>\$ 14,796</u>	<u>\$ (1,004)</u>
Supervisor			
Salary	\$ 9,500	\$ 9,500	\$ 0
Miscellaneous	<u>1,500</u>	<u>1,404</u>	<u>(96)</u>
Total Supervisor	<u>\$ 11,000</u>	<u>\$ 10,904</u>	<u>\$ (96)</u>
Assessor			
Salary - Land Splits	\$ 500	\$ 464	\$ (36)
Assessing Services	16,700	16,661	(39)
Supplies	<u>1,000</u>	<u>996</u>	<u>(4)</u>
Total Assessor	<u>\$ 18,200</u>	<u>\$ 18,121</u>	<u>\$ (79)</u>
Clerk			
Salaries	\$ 10,000	\$ 10,000	\$ 0
Miscellaneous	<u>2,000</u>	<u>1,932</u>	<u>(68)</u>
Total Clerk	<u>\$ 12,000</u>	<u>\$ 11,932</u>	<u>\$ (68)</u>
Board of Review	<u>\$ 500</u>	<u>\$ 386</u>	<u>\$ (114)</u>
Treasurer			
Salaries	\$ 10,000	\$ 10,173	\$ 173
Miscellaneous	<u>3,000</u>	<u>2,374</u>	<u>(626)</u>
Total Treasurer	<u>\$ 13,000</u>	<u>\$ 12,547</u>	<u>\$ (453)</u>
Elections	<u>\$ 100</u>	<u>\$ 63</u>	<u>\$ (37)</u>
Township Hall			
Utilities	\$ 3,000	\$ 2,342	\$ (658)
Repairs and Maintenance	3,500	2,893	(607)
Miscellaneous	<u>0</u>	<u>155</u>	<u>155</u>
Total Township Hall	<u>\$ 6,500</u>	<u>\$ 5,390</u>	<u>\$ (1,110)</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF HILLSDALE
STATEMENT OF GENERAL FUND EXPENDITURES (continued)
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
GENERAL GOVERNMENT (continued)			
Cemetery			
Salary	\$ 900	\$ 900	\$ 0
Repairs and Maintenance	<u>7,000</u>	<u>6,772</u>	<u>(228)</u>
Total Cemetery	<u>\$ 7,900</u>	<u>\$ 7,672</u>	<u>\$ (228)</u>
Planning Commission and Zoning Board of Appeals	<u>\$ 4,000</u>	<u>\$ 3,516</u>	<u>\$ (484)</u>
Capital Outlay	<u>\$ 98,000</u>	<u>\$ 98,129</u>	<u>\$ 129</u>
Miscellaneous	<u>\$ 3,200</u>	<u>\$ 2,979</u>	<u>\$ (221)</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 190,200</u>	<u>\$ 186,435</u>	<u>\$ (3,765)</u>
PUBLIC SAFETY			
Fire Contract	<u>\$ 40,000</u>	<u>\$ 37,125</u>	<u>\$ (2,875)</u>
PUBLIC WORKS			
Street Construction and Maintenance	\$ 95,100	\$ 95,095	\$ (5)
Street Lighting	500	373	(127)
Refuse Collection	<u>11,000</u>	<u>10,977</u>	<u>(23)</u>
TOTAL PUBLIC WORKS	<u>\$ 106,600</u>	<u>\$ 106,445</u>	<u>\$ (155)</u>
CULTURE			
Library	<u>\$ 9,000</u>	<u>\$ 8,800</u>	<u>\$ (200)</u>
TOTAL EXPENDITURES	<u><u>\$ 345,800</u></u>	<u><u>\$ 338,805</u></u>	<u><u>\$ (6,995)</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF HILLSDALE
BALANCE SHEET
TRUST AND AGENCY FUND
CEMETERY PERPETUAL CARE FUND
MARCH 31, 2004

	ASSETS	
Cash in Bank		\$ 3,171
		<u> </u>
	FUND BALANCE	
Fund Balance		\$ 3,171
		<u> </u>

TOWNSHIP OF HILLSDALE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
TRUST AND AGENCY FUND
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS	
Interest Earned	\$ 51
DISBURSEMENTS	
Transfers Out - General Fund	\$ 51
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0
FUND BALANCE - APRIL 1, 2003	<u>3,171</u>
FUND BALANCE - MARCH 31, 2004	<u>\$ 3,171</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF HILLSDALE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2004</u>
ASSETS				
Cash	\$ 3,141	\$ 1,028,195	\$ 1,026,928	\$ 4,408
LIABILITIES				
Due to Other Funds	\$ 3,141	\$ 38,822	\$ 35,509	\$ 6,454
Due to County	0	516,292	518,087	(1,795)
Due to Schools	<u>0</u>	<u>473,081</u>	<u>473,332</u>	<u>(251)</u>
	<u>\$ 3,141</u>	<u>\$ 1,028,195</u>	<u>\$ 1,026,928</u>	<u>\$ 4,408</u>

The accompanying notes are an integral part of this statement.

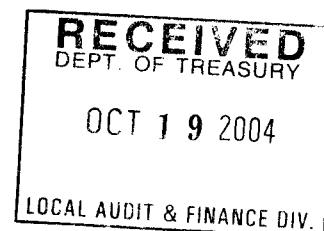
Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYCPA@QCNET.NET

September 29, 2004

To the Supervisor and
Members of the Township Board
Township of Hillsdale
Hillsdale, Michigan



In connection with our audit of the Township of Hillsdale for the year ended March 31, 2004, we would like to make the following comments and recommendations:

1. As noted in the financial statements, the Township purchased services from one of the Board members in connection with the development of the new Township cemetery. The State of Michigan requires competitive bids on contracts which exceed \$20,000. Although this transaction did not exceed the \$20,000 level, we recommend that the Board consider a lower bid threshold for future financial transactions that involve Board members or other related parties.
2. The hard drive on the Township computer crashed during the year, and no external backups for the accounting data were available to re-load transaction detail. We recommend that systems be put into place to ensure timely backups and safe storage of computer data.
3. As mentioned in previous audits, the Governmental Accounting Standards Board (GASB) has approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which makes dramatic changes to the way local governments report their finances to the public.

For the first time the financial statements will include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the township's activities, including reporting cost and depreciation on fixed assets (land, buildings, equipment, etc.)

The general provisions of GASB No. 34 apply to the Township of Hillsdale for the fiscal year ending March 31, 2005; however that is a "non-audit" year, so the requirements should be implemented in the following year.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.
Bailey, Hodshire & Company, P.C.
Certified Public Accountants